

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 OIC-02 /128 W
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R 061337Z APR 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 9686
INFO ALL EC CAPITALS
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DEPT PASS ELECTRONICALLY TO STR AND TO AGR FOR
HATHAWAY/HUGHES

USEEC ALSO FOR EMBASSY

USMTN ALSO FOR MISSION

E.O. 11652: N/A
TAGS: EAGR, EC, ECON, FR, EALR

SUBJECT: AMBASSADOR MCDONALD EXCHANGES VIEWS WITH
FRENCH AGRICULTURAL LEADERS

REF: PARIS 11249

1. SUMMARY: AMBASSADOR MCDONALD EXCHANGED VIEWS WITH
PRESIDENTS OF FOUR LARGEST FRENCH AGRICULTURAL ORGANIZA-
TIONS ON APRIL 4. COMMON OBJECTIVES WERE IDENTIFIED AND
PROBLEMS ASSOCIATED WITH ALTERNATIVE MEANS OF ACHIEVING
THEM WITHIN CONTEXT OF DIFFERING ECONOMIC POLICY FRAME-
WORKS WERE EXAMINED. ATMOSPHERE WAS CORDIAL AND DISCUS-
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SIONS WERE OPEN AND DIRECT. FRENCH AGRICULTURAL LEADERS
GREATLY APPRECIATED UNUSUAL OPPORTUNITY TO EXCHANGE
VIEWS DIRECTLY WITH KEY U.S. TRADE NEGOTIATOR. END
SUMMARY

2. ON APRIL 4, AMBASSADOR MCDONALD, ACCOMPANIED BY
PRESS OFFICER, USMTN, AND EMBASSY AGATT AND ASSISTANT

AGATT, MET WITH FRENCH AGRICULTURAL LEADERS AT HEAD-
QUARTERS OF FRENCH CREDIT AGRICOLE (WORLD'S THIRD
LARGEST BANK). ORGANIZATIONS AND REPRESENTATIVES WERE:

(1) CNMCCA (ASSOCIATION OF AGRICULTURAL BANKS, CREDIT
MUTUALS AND COOPERATIVES) - DELATTE, PRESIDENT, AND
PROTEAU AND MADEC, INTERNATIONAL AFFAIRS; (2) APCA
(CHAMBERS OF AGRICULTURE) - PERRIN, PRESIDENT; CLAVEL,
INTERNATIONAL AFFAIRS; (3) CNJA (YOUNG FARMERS) -
SCHAEFFER; (4) FNSEA (FEDERATION OF AGRICULTURAL SYNDI-
CATES) - MINARD, DIRECTOR GENERAL; NEESER, TREASURER
(AND PRESIDENT OF AGPB-WHEAT GROWERS ASSOCIATION).

3. U.S. OBJECTIVES, IN ADDITION TO EXCHANGE OF VIEWS,
WERE TO CONVINCE FRENCH AGRICULTURAL LEADERS THAT: (1)
TRADE EXPANSION BENEFITS ALL EXPORTERS; (2) MTN WILL
ESTABLISH FRAMEWORK FOR MORE STABLE AND PREDICTABLE
TRADE, AND CONSEQUENTLY CONTRIBUTE TO REDUCED PRICE IN-
STABILITY; AND (3) AS WORLD'S LARGEST AGRICULTURAL EX-
PORTERS, FRANCE AND U.S. HAVE SPECIAL RESPONSIBILITY FOR
AND AN IMPORTANT STAKE IN SUCCESSFUL NEGOTIATION. MAJOR
AREAS OF DISCUSSION ARE SUMMARIZED BELOW.

4. AGRICULTURAL AND TRADE POLICY. FRENCH EMPHASIZED
THAT GIVEN MORE TIGHTLY ORGANIZED ECONOMIC SYSTEMS IN
EC RELATIVE TO U.S. AND NEED TO REBUILD AGRICULTURAL
PRODUCTIVE CAPACITY AFTER WW II, FRENCH (AND EC)
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AGRICULTURE HAS BEEN SUBJECT TO MORE DIRECT CONTROLS.
HENCE, FRENCH FARMERS COULD NOT WITHSTAND COMPLETE FREE
TRADE OR FREE PRICES AND SOCIAL AND POLITICAL CONSE-
QUENCES WOULD BE SEVERE FOR EUROPEAN GOVERNMENTS.
THEREFORE, TRADE MUST BE INCREASED IN ORGANIZED
FASHION. ALTHOUGH THEY CONCEDED THAT U.S. POSITIONS
HAD BEEN MODIFIED, THEY NONETHELESS APPEARED TOO
"LIBERAL". AMBASSADOR MCDONALD NOTED THAT WE HAD NOT
FOUND ANY PERMANENT SOLUTION TO FARM INCOME PROBLEMS
IN U.S. AND THAT OUR POLICIES CHANGED AS ECONOMIC EN-
VIRONMENT EVOLVED. IN FUTURE, HE CONCLUDED THAT WE
MUST SEARCH FOR MORE COORDINATED SOLUTIONS TO OUR COM-
MON PROBLEMS. IN RESPONSE TO AMBASSADOR MCDONALD'S
STATEMENT THAT NEGOTIATIONS WERE GOING SLOWLY, FRENCH
RESPONDED THAT SINCE KENNEDY ROUND, U.S. EXPORTS HAVE
INCREASED GREATLY, THAT EC PHILOSOPHICAL APPROACHES
ARE USUALLY DIFFERENT THAN THOSE OF U.S., AND THAT EC
WAS NOT IN AGREEMENT WITH U.S. ON HAVING TOKYO ROUND
(SIC).

5. GRAIN RESERVE NEGOTIATIONS. FRENCH CONTENTED THAT
U.S. WAS DEMANDEUR IN THIS AREA, BUT THAT WHAT WE WANTED

WAS NOT CLEAR. FOR EXAMPLE, IF WE WANTED PRICE BAND,
THEN WE SHOULD BE WILLING TO RESPECT MAXIMUM/MINIMUM

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LIMITS. OTHERWISE, FRENCH FELT THAT SOME EXPORTERS
WOULD EXPLOIT SYSTEM BY SELLING UNDER MINIMUM PRICES.
AMBASSADOR MCDONALD RESPONDED THAT WE COULD NOT ACCEPT
RIGID MAXIMUM/MINIMUM PRICE AGREEMENT--NOT ONLY BECAUSE
THIS WOULD BE IMPOSSIBLE UNDER CURRENT U.S. POLICY, BUT
ALSO BECAUSE IT COULD LEAD TO COMPETITION BETWEEN
GOVERNMENTS ON SUBSIDIES AND OUR BASIC OBJECTIVE WAS TO
AMELIORATE PRICE EXTREMES. AMBASSADOR MCDONALD STATED
THAT EC WAS DEMANDEUR WITH REGARD TO FEEDGRAINS AND
INQUIRED AS TO FRENCH INTEREST. FRENCH RESPONDED THAT
MAIN INTEREST WAS IN PRICE STABILIZATION DUE TO SUBSTI-
TUTABILITY OF WHEAT AND FEEDGRAIN IN FEED. AMBASSADOR
MCDONALD STATED U.S. OPPOSITION ON BOTH ECONOMIC (TECH-
NICAL LIMITS OF SUBSTITUTION, LOWER PRICE SENSITIVITY
FOR FEEDGRAINS RELATIVE TO WHEAT) AND POLITICAL (U.S.
FARMER AND OTHER EXPORTER OPPOSITION) GROUNDS. FRENCH
ALSO INDICATED THEIR CONCERN WITH VOLATILITY OF PRICE
AND ASSURANCE OF SUPPLY FOR SOYBEANS. (COMMENT:
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AS PREVIOUSLY REPORTED, EMBASSY HAS JUST COMPLETED SERIES OF STRONG DEMARCHES ABOUT ASPECTS OF FRENCH PROPOSAL FOR EC PROTEIN POLICY.)

6. MTN MEAT SUB-GROUP. FRANCE FEELS AUSTRALIA'S DEMANDS ARE GROSSLY EXAGGERATED. MAIN EC NEED IS FOR MANUFACTURING BEEF, SUPPLIED PRIMARILY BY ARGENTINA. IN RESPONSE TO AMBASSADOR MCDONALD'S QUESTION IF THERE WAS PERCENTAGE OF EC MEAT IMPORTS THAT WAS ACCEPTABLE WITHOUT CAUSING PROBLEMS, FRENCH RESPONDED THAT THEY COULD PERMIT SOME INCREASE IN GATT BEEF QUOTA, BUT MAJOR LIBERALIZATION COULD NOT BE TOLERATED BECAUSE OF STRUCTURAL PROBLEMS IN BEEF/DAIRY COMPLEX. ALSO, THEY FELT THAT EC'S MEAT PRODUCTION POTENTIAL SHOULD BE MAINTAINED. IN RESPONSE TO AMBASSADOR MCDONALD'S QUESTION ABOUT DEMAND ELASTICITY FOR BEEF, FRENCH MAINTAINED THAT IT WAS RELATIVELY LOW FOR ALL MEATS AND POULTRY COMBINED EVEN THOUGH CROSS-ELASTICITIES BETWEEN RED MEATS AND POULTRY WERE HIGH.

7. MTN DAIRY SUB-GROUP. FRENCH MAINTAINED THAT SANITARY REGULATIONS WERE MAJOR U.S. TRADE BARRIER FOR EC DAIRY PRODUCTS. AMBASSADOR MCDONALD THEN ASKED IF FRENCH FAVORED INCLUDING AGRICULTURAL PRODUCTS IN STANDARDS CODE. THEY THOUGHT THIS MIGHT POSE OTHER PROBLEMS. FRENCH SAID THAT EC IS NOW MAJOR IMPORTER OF DAIRY PRODUCTS (FROM NEW ZEALAND) AND IT DOESN'T WANT THIS TO INCREASE. A QUESTION WAS RAISED ABOUT POSSIBLY INCREASING U.S. MARKET FOR EC CHEESES, TO WHICH AMBASSADOR MCDONALD RESPONDED THAT MAJOR PROBLEM WAS CONSUMER DEMAND FOR SPECIALITY CHEESE OUTSIDE MAJOR METROPOLITAN AREAS IN U.S.

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8. US-EC TRADE BALANCE. FRENCH CLAIMED THAT U.S. AGRICULTURE BENEFITTED FROM KENNEDY ROUND, AS EVIDENCED BY RAPIDLY GROWING AGRICULTURAL EXPORTS TO EC. ALSO, THEY MAINTAINED THAT AGRICULTURAL TRADE BALANCE WITH EC WAS VERY FAVORABLE TO U.S. AND SHOULD BE BROUGHT MORE INTO BALANCE. AMBASSADOR MCDONALD STATED THAT U.S. WAS NOT TO BLAME FOR EC AGRICULTURAL TRADE DEFICIT AND THAT U.S. SHARE OF EC AGRICULTURAL IMPORTS HAD DROPPED SLIGHTLY.

9. THIRD MARKETS. BOTH SIDES AGREED THAT JOINT EFFORTS

SHOULD BE UNDERTAKEN TO REDUCE AGRICULTURAL TRADE BARRIERS IN JAPAN. FRENCH EXPRESSED CONCERN ABOUT SPECIAL

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TREATMENT FOR UPPER LEVEL LDCS, CLAIMING THEY MAY SOON BECOME FORMIDABLE COMPETITORS. THEY ALSO FELT THAT SPECIAL MEASURES MAY BE NECESSARY TO PREVENT DISRUPTIVE EFFECTS OF STATE TRADING COUNTRIES.

10. EC ENLARGEMENT. FRENCH NOTED SERIOUS PROBLEM FOR MEDITERRANEAN AGRICULTURE IN ENLARGEMENT. AMBASSADOR MCDONALD EXPRESSED U.S. SUPPORT FOR EUROPEAN UNITY ON POLITICAL GROUNDS, BUT EXPRESSED HOPE THAT EC WOULD UTILIZE ENLARGEMENT AS OPPORTUNITY TO IMPROVE ECONOMIC ORGANIZATION OF AGRICULTURE IN EC WITHOUT JEOPARDIZING U.S. TRADE INTERESTS AND PROVOKING TRADE DISPUTES.

11. COMMENTS: THIS FIRST VISIT BY TOP-LEVEL U.S. TRADE NEGOTIATOR WAS APPARENTLY VERY WELL RECEIVED BY KEY FRENCH AGRICULTURAL LEADERS. WHILE THEY DO NOT AGREE WITH ALL OUR IDEAS, WE DO SHARE SOME COMMON OBJECTIVES. AS RESULT OF THIS FRANK EXCHANGE OF VIEWS,
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THEY SHOULD UNDERSTAND OUR POSITIONS MORE CLEARLY. BUT
MORE IMPORTANTLY, THEY SEEMED TO APPRECIATE THAT WE ARE
SEEKING MUTUALLY-BENEFICIAL WORLD TRADING STRUCTURE AND
NOT JUST TRADE GAINS AT EXPENSE OF FRENCH AGRICULTURE.
FURTHER DISCUSSIONS OF THIS NATURE WILL HELP ENSURE THAT
FRENCH AGRICULTURAL LEADERS ARE POSITIVE OR AT LEAST NOT
NEGATIVE FORCE TO CONTEND WITH IN REMAINING CRITICAL
SESSIONS OF MTN.

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